

Division of Oil and Gas  
402 West Washington St., Rm.W293  
Indianapolis, IN 46204-2748  
(317) 232-4055  
(317) 232-1550 fax

**NOTICE OF INFORMAL HEARING ON APPLICATION FOR FORCED POOLING  
FILED BY MOORE ENGINEERING & PRODUCTION CO., INC.  
PRINCETON SOUTH POOLED UNIT  
PART OF THE N/2, SEC 19, TWP 2 SOUTH, RNG 10 WEST, GIBSON COUNTY, IN**

**CAUSE NO. DOG-7-2014**

TO: Seaboard Systems Railroad  
%CSX Transportation, Inc.  
500 Water Street  
Jacksonville, FL 32202-4423

**Purpose Of This Notice**

You are being provided with this notice because a petition has been submitted to our office on behalf of Moore Engineering & Production Co., Inc., requesting that certain interests owned by the following be incorporated into their proposed Princeton South Unit:

Seaboard Systems Railroad  
%CSX Transportation, Inc.  
500 Water Street  
Jacksonville, FL 32202-4423

This unit is being established for the purpose of drilling for and producing crude oil from the surface to the base of the Aux Vases Lime formation within the following described lands:

Tract 1 – Part of the East Half of the Northwest Quarter and part of the Northwest Quarter of the Northeast Quarter of Section 19, Township 2 South, Range 10 West

Tract 2 – The South Half of the West Half of the Fractional Northwest Quarter of Section 19, Township 2 South, Range 10 West

Tract 3 – The East 660 feet of the North Half of the West Half of the Fractional Northwest Quarter of Section 19, Township 2 South, Range 10 West

**Background Information**

Indiana law requires the protection of what are known as "correlative rights." This means that a property owner's opportunity to receive the benefits of the oil, gas and other hydrocarbons located beneath their acreage cannot be unreasonably taken away. Any owner of oil and gas interests is entitled to share in the production of oil and gas produced from their property. This may result either from the drilling of a well by the owner or by conveying their oil and gas interests to another party who would then drill a well and allocate a proportionate share of the proceeds from the production to the owner. Most owners choose to lease their oil and gas interests to another party rather than assume the risk, expense, and liability associated with the drilling of their own well.

In order to prevent waste of oil or natural gas and the drilling of unnecessary wells, Indiana regulations also establish requirements for an operator proposing to drill a well for oil and gas purposes. According to 312 IAC 16-5-1 and 16-5-2, operators are required to form a drilling unit, also known as a spacing unit, of sufficient size, so as to effectively and economically drain all of the oil or gas resources there under, while minimizing the environmental impact.

Indiana Law, at IC 14-37-9, spells out the requirements for the voluntary and involuntary integrating of oil and gas interests among different owners within an established drilling unit. Integration occurs voluntarily when all property owners within a spacing unit execute an oil and gas lease containing a pooling clause in favor of a single developer or well operator. The law also allows for the integration of interests in instances where not all of the oil and gas interest owners have executed a lease, or as in this case, have not consented to the pooling of your interests to allow the operator to develop the oil resource in a manner which avoids waste and the drilling of unnecessary wells. This process is sometimes referred to as "forced pooling".

Accordingly, a well operator may submit a petition for involuntary integration to the Division of Oil and Gas whenever the integration of interests is necessary to prevent the stated statutory purposes of avoiding waste and preventing the drilling of unnecessary wells. Prior to submitting a petition, a well operator is required to obtain a substantial majority of the interests within the drilling unit and must also have made a diligent and reasonable attempt to obtain the consent of all owners of oil and gas interests within the drilling unit.

Petitioner has represented that your interests within this proposed unit are already the subject of a lease dated March 15, 1984, and recorded in the Office of the Recorder of Gibson County, Indiana records. Furthermore, Petitioner has represented through an Advalorem Statement identified as Exhibit B and Exhibit C in their petition, that your interest under the aforementioned lease consists of a royalty interest (RI) amounting to a net percent interest of 0.010628 in Tract 2 and a royalty interest (RI) amounting to a net percent interest of 0.012055 in Tract 3. Where owners voluntarily sign an oil and gas lease, the lease agreement establishes the specific terms and payments to be made from production. If an owner has chosen not to negotiate the terms of exploration and production, the compulsory integration process is intended to safeguard their correlative rights.

While most oil and gas leases contain a clause granting the operator the right to pool or unitize acreage, the above referenced 1984 lease did not include such a clause. Accordingly, Petitioner has sought to obtain consent to the pooling of interests from each of the owners of interest in that lease. Petitioner has indicated that all of the other interest owners within the

proposed Princeton South Pooled Unit, except you, have consented to the pooling of their interests and that they have made a diligent and reasonable attempt to obtain your consent to the pooling of your oil and gas in the proposed Princeton South Pooled Unit.

A copy of the petition is included for your review. Copies may also be viewed from our website at <http://www.in.gov/dnr/dnroil/3790.htm>. A hyperlink to the petition can be viewed by selecting the ([View Petition](#)) hyperlink for this cause number (DOG-7-2014).

In considering the petition the Division of Oil and Gas must ensure that owners receive an equitable share of the crude oil and natural gas produced from the integrated drilling unit. For primary production wells, owners usually are assigned a percentage share based upon the ratio of the acreage you own and the total acreage in the unit. Petitioner is proposing that the participation factors for production on this lease be allocated equally among the three (3) leases as described in the Petition.

### **Your Options**

*It is important to understand that, at any time, should you decide to voluntarily sign a mutually acceptable pooling clause with the petitioners, there will be no need to proceed further with this process to integrate your interests.*

Since your interests are located within a drilling unit to be duly established under Indiana regulations, and that integration terms have not been agreed upon through the execution of a pooling agreement, the likely outcome of forced pooling or integration procedure will be to integrate your 0.010628 royalty interests (RI) in Tract 2 and your 0.012055 royalty interests (RI) in tract 3 proportionately into the proposed Princeton South Pooled Unit. Your interest shall then share in the total production from the pooled unit in proportion to that which your interest bears to the entirety of the unit.

## **Notice of Informal Hearing – Cause No. DOG-7-2014**

An informal hearing to be conducted via teleconference to consider the petition and receive comments from interested persons is scheduled for Thursday, November 20, 2014, at 11:30 a.m. (Eastern), 10:30 am (Central) at the Indianapolis Office of the Division of Oil and Gas, located at 402 West Washington Street, Room W293, Indianapolis, IN 46204 ([Map](#)). This informal hearing is being conducted as required by IC 14-37-3-16(4) and 312 IAC 16-2-3.

*Again, you are reminded that at any time prior to the integration hearing, you may voluntarily enter into a pooling agreement regarding the development of your oil and gas resources.*

Any interested person may participate in the informal hearing via teleconference and present relevant oral or written comments in person or by counsel. To participate in the conference, please dial 1-877-422-1931 and enter the conference code #6808842673.

If you have questions pertaining to the petition, the informal hearing process, or any of your options described above, please contact me at 317-232-4058 or by e-mail at [hmcdivitt@dnr.in.gov](mailto:hmcdivitt@dnr.in.gov). Comments concerning the petition may be submitted:

- (1) in person during the informal hearing;
- (2) in writing to the address below provided they are postmarked no later than **November 20, 2014**;
- (3) by fax to (317) 232-1550 no later than **4:00 PM (Eastern) on November 20, 2014**; or
- (4) by email no later than **4:00 PM (Eastern) on November 20, 2014**, to [hmcdivitt@dnr.in.gov](mailto:hmcdivitt@dnr.in.gov):

Herschel L. McDivitt, Director  
**Division of Oil and Gas**  
Department of Natural Resources  
Cause No. DOG-7-2014  
402 West Washington Street, Room W-293  
Indianapolis, IN 46204

All comments will be taken into consideration whether or not the commenter attends the informal hearing. After reviewing all oral and written comments received, the Division will either approve or deny the Petition for Integration of Interests filed by Moore Family Holdings, Inc. in a written order that will be subject to administrative review under Indiana Code 4-21.5.

**October 17, 2014**  
DATED



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Herschel L. McDivitt  
Director  
Indiana Division of Oil and Gas